

1  
2  
3  
4  
5  
6  
7  
8  
9 **BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

10 In the Matter of the Merger of the Parent  
11 Corporations of Qwest Communications  
12 Corporation, LCI International Telecom Corp.,  
13 USLD Communications, Inc., Phoenix  
14 Networks, Inc. and U S WEST  
15 Communications, Inc.

DOCKET NO. UT-\_\_\_\_\_

JOINT APPLICATION

APPLICATION

14 Qwest Communications Corporation (“Qwest Corp.”), LCI International Telecom Corp.  
15 (d/b/a Qwest Communications Services) (“LCI”), USLD Communications, Inc. (“USLD”), and  
16 Phoenix Network, Inc. (“Phoenix”) (collectively “Qwest”), on behalf of their ultimate parent  
17 corporation Qwest Communications International Inc. (“Qwest Inc.”) and U S WEST  
18 Communications, Inc. (“U S WEST”) on behalf of its parent corporation U S WEST, Inc., hereby  
19 submit this Joint Application.<sup>1</sup> With this Joint Application, Qwest and U S WEST seek an Order  
20 \_\_\_\_\_

21 <sup>1</sup> This Joint Application relates to Qwest Inc.’s and U S WEST, Inc.’s subsidiaries regulated by the Washington  
22 Transportation and Utilities Commission. For Qwest Inc. these subsidiaries are: Qwest Corp., LCI, USLD, and  
Phoenix. For U S WEST, Inc., that subsidiary is U S WEST Communications, Inc. A description of the operating  
authorities each of these subsidiaries has in Washington can be found in Exhibits A and B to this Joint Application.  
These subsidiaries will continue to provide regulated telecommunications services in Washington following

Joint Application - 1

**Qwest Communications International Inc.**

1600 7th Ave., Suite 3206  
Seattle, WA 98191  
Telephone: (206) 343-4000  
Facsimile: (206) 343-4040

**U S WEST, Inc.**  
1600 7th Ave., Suite 3206  
Seattle, WA 98191  
Telephone: (206) 343-4000  
Facsimile: (206) 343-4040

1  
2 from the Washington Utilities and Transportation Commission (the "Commission"), which:

- 3 (a) disclaims jurisdiction over the merger of Qwest Inc. and U S WEST, Inc.,<sup>2</sup> or  
4 alternatively, if the Commission concludes it has jurisdiction over the transaction, approves  
5 the proposed merger of Qwest Inc. and U S WEST, Inc.

6 This request is being made as a result of the execution on July 18, 1999, of an Agreement  
7 and Plan of Merger (the "Merger Agreement") between Qwest Inc., and U S WEST, Inc. This  
8 strategic merger will create a next generation communications company dedicated to bringing  
9 advanced voice, data and broadband Internet services to customers in Washington, across the  
10 United States, and around the world. The merger will bring together Qwest Inc.'s advanced  
11 network providing broadband Internet communications with U S WEST's innovative local service  
12 offerings and leadership in providing high-speed Internet access through Digital Subscriber Line  
13 ("DSL") technology. Thus, the strategic merger of Qwest Inc. and U S WEST, Inc. will serve the  
14 public interest by producing significant procompetitive effects that will lead to substantial benefits  
15 for customers in Washington.

16 \_\_\_\_\_  
consummation of the proposed transaction.

17 <sup>2</sup> Clearly, as holding companies, neither Qwest Inc. nor U S WEST, Inc. is a public service company subject to the  
18 Commission's jurisdiction. Commission authorization is necessary under RCW 80.12.020 for a public service  
19 company to sell, lease, assign, or otherwise dispose of, or merge or consolidate, any of its franchises, properties or  
20 facilities with any other public service company. Similarly, under RCW 80.12.040, Commission authorization is  
21 necessary before another public service company can, directly or indirectly, purchase, acquire, or become the owner of  
22 any of the franchises, properties, facilities, capital stocks or bonds of a public service company. The statutory  
authorities, however, do not give the Commission jurisdiction over a transaction involving the merger of the corporate  
parents of public service companies. RCW 80.12.020 does not apply because the proposed transaction does not  
involve the sale, lease, assignment, or other disposition of, or merger or consolidation of any franchises, properties or  
facilities of any Washington public service company. Similarly, RCW 80.12.040 does not apply because, under the  
Qwest Inc. - U S WEST, Inc. transaction, no public service company is purchasing, acquiring or becoming the owner  
of any of the capital stocks or bonds of any other public service company. Accordingly, Joint Applicants request an  
order of the Commission that it does not have jurisdiction over the transaction and that no authorizations are required  
under Chapter 80.12 RCW.

Joint Application - 2

<b>Qwest Communications International Inc.</b>	<b>U S WEST, Inc.</b>
555 Seventeenth Street	1600 7th Ave., Suite 3206
Denver, CO 80202	Seattle, WA 98191
Telephone: (303) 992-3330	Telephone: (206) 343-4000
Facsimile: (303) 992-1490	Facsimile: (206) 343-4040

1  
2 Accordingly, if the Commission believes that the merger requires Commission approval  
3  
4 pursuant to Chapter 80.12 RCW, this Joint Application requests that the Commission issue an  
5 Order granting such approval on an expeditious basis.

6 **I. The Applicants and Their Parent Companies**

7 **A. Qwest Inc. and its Subsidiaries**

8 Qwest Inc. is a Delaware corporation with its principal office and place of business located  
9 at 555 Seventeenth Street, Denver, Colorado 80202. The company is publicly traded on the  
10 NASDAQ stock exchange under the symbol "QWST."

11 Four Qwest Inc. subsidiaries -- Qwest Corp., LCI, USLD, and  
12 Phoenix -- are authorized to provide telecommunications services  
13 in Washington, as well as other states. Qwest Corp., LCI, USLD  
14 and Phoenix are also authorized by the Federal Communications  
15 Commission ("FCC") to provide telecommunications services,  
16 including interstate interexchange and international  
17 telecommunications services, as non-dominant carriers.

18 Qwest Inc. is a facilities-based multimedia communications  
19 services provider. Qwest Inc. subsidiaries provide Internet  
20 Protocol-enabled services such as Internet access, web hosting,  
21 co-location and remote access. They also provide a full range of  
22 voice, data, video and related services to businesses, government  
agencies and consumers. Qwest Inc.'s communications services  
businesses also provide high-volume voice and conventional private

1  
2 line services to other communications providers, as well as to  
3 Internet service providers and other data services companies.

4 In addition, Qwest Inc.'s construction services business  
5 recently has completed construction of the Qwest Network, a fiber  
6 optic network built with the industry's most advanced  
7 technologies. It offers OC-192 (10 gigabit per second)  
8 transmission capability and is constructed on a "self-healing"  
9 SONET ring and OC-48 (2.4 gigabit per second) Internet Protocol  
10 architecture. The Qwest Network reaches 18,500 route miles and  
11 connects Seattle and over 100 other cities across the United  
12 States. Also, Qwest Inc., directly and indirectly through wholly-  
13 owned subsidiaries, constructs and installs fiber optic  
14 communications systems for other telecommunications companies and  
15 provides multimedia communications services to interexchange  
16 carriers and other communications entities, businesses and  
17 consumers.

16 **U S WEST, Inc. and U S WEST**

17 U S WEST, Inc., a Delaware corporation, indirectly through  
18 wholly-owned subsidiaries, provides integrated communications  
19 services to approximately 25 million customers nationally,  
20 including Washington and other western and mid-western states.  
21 The Company's primary products and services include: local  
22 telephone services; long distance services within specified

1  
2 calling areas; high-speed data networking, including Internet  
3 access and digital subscriber line (DSL) services; broadband  
4 personal communications services (PCS); print and electronic  
5 directories; operator services; and video services in limited  
6 markets.

7 U S WEST is a Colorado corporation with its principal office  
8 and place of business at 1801 California Street, Denver, Colorado  
9 80202. U S WEST is authorized to provide telecommunications  
10 services in Washington and has over 2.5 million access lines in  
11 this state.

12 Since 1990, U S WEST has invested over \$4.8 billion in telecommunications facilities in  
13 Washington. This includes outside plant facilities, central office switches and upgrades, and  
14 replacements and additions to interoffice facilities. Across Washington, U S WEST has deployed  
15 over 3,400 sheath miles of fiber optic cable (over 188,000 total fiber miles) to support the  
16 communications needs of customers in Washington.  
17  
18  
19  
20  
21  
22

1  
2 **Description of the Transaction**

3       On July 18, 1999, Qwest Inc. and U S WEST, Inc. entered into the Merger Agreement  
4 providing for the merger of the two companies.<sup>3</sup> The Boards of Directors of Qwest Inc. and  
5 U S WEST, Inc. have approved the Merger Agreement. The proposed merger remains subject to  
6 approval by the shareholders of Qwest Inc. and U S WEST, Inc., the satisfaction of a number of  
7 conditions as specified in the Merger Agreement and the receipt of all requisite regulatory  
8 approvals, including any required by the U.S. Department of Justice and the Federal  
9 Communications Commission.

10       Under the terms of the Merger Agreement, upon closing, U S WEST, Inc. will be merged  
11 into Qwest Inc. with Qwest Inc. continuing as the surviving corporation. The separate corporate  
12 existence of U S WEST, Inc. will then cease. The direct and indirect wholly-owned subsidiaries of  
13 Qwest Inc. and U S WEST, Inc. that hold operating certificates or other authorizations will survive  
14 as direct or indirect wholly-owned subsidiaries of the post-merger Qwest. Additionally, no  
15 changes in the names of the certificated subsidiaries, no transfers of certificates of public  
16 convenience and necessity, and no assignments of assets of those certificated subsidiaries are  
17 contemplated at this juncture. Following the merger, Qwest Inc. will be headquartered at 1801  
18 California Street, Denver, Colorado 80202.

19       In order to effectuate the merger, Qwest Inc. will issue shares of its common stock having a  
20 value of \$69.00 for each share of U S WEST, Inc. common stock, subject to a "collar" on Qwest's

---

21 <sup>3</sup> A copy of the Merger Agreement is attached hereto as Exhibit C. The Articles of Incorporation and Bylaws of the  
22 merged company will be those of U S WEST, Inc. as in effect immediately prior to the consummation of the merger  
except as amended by Sections 2.07 and 2.08 of the Merger Agreement.

1  
2 average stock price between \$28.26 and \$39.90 per share. The number of Qwest Inc. shares to be  
3 exchanged for each U S WEST, Inc. share will be determined by dividing \$69.00 by a 15-day  
4 weighted average of trading prices for Qwest Inc. common stock over a 30-day measurement  
5 period ending three days prior to closing, but will not be less than 1.72932 shares (if Qwest Inc.'s  
6 average stock price exceeds \$39.90 per share) or more than 2.44161 shares (if Qwest Inc.'s  
7 average stock price is less than \$28.26 per share). If necessary, the obligation under the "collar"  
8 may be satisfied in whole or in part with cash if Qwest's average stock price is below \$38.70 per  
9 share.

10       Upon consummation of the merger, Philip F. Anschutz, the current Chairman of the Board  
11 of Qwest Inc., will become the Non-Executive Chairman of Qwest Inc. Joseph P. Nacchio,  
12 currently the Chairman and Chief Executive Officer of Qwest Inc., will continue as Chairman and  
13 Chief Executive Officer of Qwest Inc. and Solomon D. Trujillo, currently Chairman, President and  
14 Chief Executive Officer of U S WEST, Inc., will become a Chairman of Qwest Inc. and become  
15 the President of the Broadband Local and Wireless division of Qwest Inc. The Board of Directors  
16 of Qwest Inc., following consummation of the merger, will consist of 14 members including  
17 Messrs. Anschutz, Nacchio, and Trujillo, with a total of seven members to be designated by each  
18 of Qwest Inc. and U S WEST, Inc. Additionally, Qwest Inc. and U S WEST, Inc. designees on the  
19 Board of Directors will be represented equally on all Board committees.

20       After the effective time of the merger, Qwest Inc. also will  
21 establish an Office of the Chairman whose members will be Messrs.  
22 Anschutz, Nacchio and Trujillo. The Office of the Chairman will  
act by majority vote and will have the exclusive power and final

1  
2 authority with respect to decisions relating to enumerated  
3 corporate actions, including, among others, material acquisitions  
4 and dispositions, the allocation of capital resources, termination  
5 of certain senior executive officers and the setting of general  
6 corporate strategy. Any member of the Office of the Chairman will  
7 have the right to bring any decision of the Office of the Chairman  
8 to the Qwest Board for its consideration.

9 The members of the Office of the Chairman also will jointly  
10 appoint certain enumerated executive positions in Qwest Inc. For  
11 a period of one year following closing, the twenty most senior  
12 policy-making executives of Qwest Inc. will be drawn in  
13 substantially equal numbers from among the officers of Qwest Inc.  
14 and U S WEST, Inc., and each company will be proportionally  
15 represented at each level of senior management. The merged  
16 company will be led by a highly qualified team of management  
17 personnel drawn from the existing management of Qwest Inc. and  
18 U S WEST, Inc.

19 Following the merger, Qwest Inc. will possess all financial, managerial and technical  
20 qualifications necessary to assume control of the regulated subsidiaries of Qwest Inc. and  
21 U S WEST, Inc. Financial information about Qwest Inc. and U S WEST, Inc. can be found in  
22 each company's most recent Form 10-K, attached hereto as Exhibits D and E.

The merger does not involve any assignment of authorizations  
or licenses held by operating subsidiaries of Qwest Inc. or

U S WEST, Inc., or any change in those subsidiaries. Thus, the same companies will continue to provide service to the public. The respective customers of these Qwest Inc. and U S WEST, Inc. subsidiaries will continue to be served and billed pursuant to existing tariffs and operating authorities, as those may be amended from time to time in the ordinary course of business. Therefore, administratively, the merger will be transparent to Qwest's and U S WEST's respective customers.<sup>4</sup> Meanwhile, as shown below, the combined resources of the post-merger company will facilitate the delivery of advanced services to both existing and new customers of the operating subsidiaries.

### **III. Designated Contacts**

The designated contacts for purposes of this Joint Application are the following:

#### **For Qwest**

---

#### **For U S WEST**

<sup>4</sup> To comply with the Telecommunications Act of 1996 as of closing, Qwest Inc. will be required to cease providing interLATA services it currently offers in the U S WEST region. Qwest Inc. is in the process of identifying affected services and making arrangements to divest those services. Qwest Inc. will comply with any applicable Commission requirements with respect to any changes to customer accounts.

Drake S. Tempest  
Executive Vice President and  
General Counsel and  
Secretary  
Qwest Communications  
International Inc.  
555 Seventeenth Street  
Denver, CO 80202  
Phone: (303) 992-3330  
Fax: (303) 992-1490

LisaA. Anderl  
Senior Attorney  
U S WEST, Inc.  
1600 7<sup>th</sup> Avenue, Room 3206  
Seattle, Washington 98191  
Phone: (206) 345-1574  
Fax: (206) 343-4040

and

James M. Van Nostrand  
Perkins Coie LLP  
411 - 108th Ave NE  
Bellevue, WA 98004  
Phone: (425) 453-7323  
Fax: (425) 453-7350

Copies of all correspondence, notices, inquiries and orders also should be sent to the following:

Genevieve Morelli  
Senior Vice President of Government  
Affairs and Senior Associate General  
Counsel  
Qwest Communications Corp.  
4250 North Fairfax Drive  
Arlington, VA 22203  
Phone: (703) 363-3306  
Fax: (703) 363-3750

Theresa Jensen  
Washington Regulatory Director  
U S WEST Communications, Inc.  
1600 7<sup>th</sup> Avenue, Room 3206  
Seattle, Washington 98191  
Phone: (206) 345-4726  
Fax: (206) 343-4040

and

and

Peter A. Rohrbach  
Mace J. Rosenstein  
Hogan & Hartson L.L.P.  
555 Thirteenth Street, N.W.  
Washington, D.C. 20004  
Phone: (202) 637-5600  
Fax: (202) 637-5910

Wendy M. Moser  
Associate General Counsel  
U S WEST, Inc.  
1801 California Street, Room 5100  
Denver, CO 80202  
Phone: (303) 672-2816  
Fax: (303) 295-7049

#### **IV. The Transaction is in the Public Interest**

Under WAC 480-143-050, the standard for approval of the transaction is that it be

1  
2 consistent with the public interest:

3 If, upon examination of an application and accompanying exhibits, or upon  
4 a hearing concerning the same, the commission finds that the proposed  
5 transaction is not consistent with the public interest, it shall deny the  
6 application.

7  
8 In a decision issued earlier this year, the Commission provided further guidance on the standard by  
9 which the public interest is to be evaluated in cases involving changes in corporate ownership:

10 The standard in our rule does not require the Applicants to show that  
11 customers, or the public generally, will be made better off if the transaction  
12 is approved and goes forward. In our view, Applicants' initial burden is  
13 satisfied if they at least demonstrate no harm to the public interest.

14 In the Matter of the Application of PacifiCorp and Scottish Power, Docket No. UE-981627, Third  
15 Supplemental Order on Prehearing Conference (April 2, 1999), p. 2. The proposed merger of  
16 Qwest Inc. and U S WEST, Inc. will satisfy this standard.

17 The merger will bring together Qwest Inc.'s advanced, broadband fiber-optic network and  
18 U S WEST, Inc.'s local telecommunications facilities and technological expertise in advanced  
19 services. Because Qwest Inc. and U S WEST, Inc. offer different services and have different core  
20 capabilities, and because overlaps between the services of the two companies are incidental and  
21 limited in scope, the merger will have no negative impact on competition. Rather, the merger will  
22 create a new company with a significantly increased ability to meet the rapidly evolving needs of  
business and residential telecommunications customers.

The proposed merger will produce economies of scope and scale. These, in turn, will lead  
to expanded and innovative service offerings and increased competition in key market segments  
such as high-speed data and Internet access, with attendant benefits for the combined company's

current and future customers, both inside and outside the 14-state U S WEST region.

Among the numerous public interest benefits that will result from the merger are the following:

*Responsiveness to Local Customer Needs.* First and foremost, the proposed merger will cause no adverse impact upon the continuity and quality of service provided to U S WEST's Washington customers. Following the merger, Qwest Inc. will be particularly focused on the needs of all its customers – urban and rural, business and residential – in Washington and throughout the 14-state U S WEST region.

Indeed, the combined company will be well situated to improve and enhance services for consumers as telecommunications operations are revolutionized by the Internet and advances in technology. With both U S WEST's DSL expertise and Qwest Inc.'s advanced data network, the new company will have significantly greater ability and incentive to accelerate local broadband connectivity for consumers. The result will be greatly increased competition in the broadband services market because the new company's fiber and DSL broadband technology will offer the most substantial and distinctive alternative to cable broadband service offerings (because cable systems generally do not operate in the same geographic area, they do not compete with one another). Meanwhile, the implementation of the shared growth strategy of each company, including deployment of an Internet Protocol platform, can be expected to accelerate local broadband connectivity services for customers.

*Increased Section 271 Incentives.* Qwest Inc. recognizes that it must discontinue all interLATA service in the U S WEST region prior to the closing of the proposed merger. It will do

1  
2 so by divesting itself of those services. Thus, no issue exists or will arise under the 1996 Act with  
3 respect to the merger.

4 Yet, the merger also reflects a major commitment on the part of the combined companies  
5 to become an end-to-end facilities-based provider of voice, data and integrated services. Because  
6 obtaining Section 271 approval is a major component of this strategy, the merger will create  
7 powerful incentives for post-merger Qwest Inc. to satisfy Section 271 requirements in order to  
8 reenter the in-region interLATA market in Washington as soon as possible. In this regard, for  
9 example, U S WEST has already notified the Commission that it has begun discussions with  
10 various state Commissions and with the Regional Oversight Committee (the "ROC") with respect  
11 to the development of a cooperative process for conducting operational support systems ("OSS")  
12 testing.

13 *Increased Competition.* Subject to compliance with the 1996 Act, Qwest will have the  
14 ability to provide end-to-end telecommunications services over its own network of facilities.  
15 U S WEST, Inc. has an established base of 25 million customer relationships in a region that  
16 includes six of the fastest growing metropolitan areas in the United States. Qwest Inc.,  
17 meanwhile, has a state-of-the-art network of fiber optic facilities connecting key cities across the  
18 United States, including Seattle and Tacoma. Combining these complementary resources will  
19 enable the merged company to provide a broad array of services with maximum efficiency, which  
20 in turn will benefit consumers, who will see competitive prices and more choice. The combined  
21 companies will increase competition outside the U S WEST region, and work actively to advance  
22 the day when customers within the U S WEST region will have additional choices in the long

1  
2 distance market.

3 Furthermore, the merger of Qwest Inc. and U S WEST, Inc. must be viewed in the context  
4 of other major changes already occurring in the telecommunications marketplace. For example,  
5 SBC and Ameritech recently committed to enter the local market in Washington following  
6 consummation of their merger. Similarly, AT&T plans to enter local markets in Washington and  
7 nationwide through its newly-acquired broadband cable plant of MediaOne and TCI. These  
8 companies, and smaller CLECs as well, will offer integrated packages of telecommunications  
9 services. The merger will permit the combined companies to better meet these competitive  
10 developments, to the ultimate benefit of telecommunication users in Washington.<sup>5</sup>

11 **V. Conclusion**

12 The proposed transaction will not only sustain current service offerings and quality but also  
13 speed the benefits of increased competition to consumers of telecommunications services in  
14 Washington. Accordingly, if the Commission believes its approval is necessary for the proposed  
15 merger to proceed, the Joint Applicants respectfully request that the Commission issue an order  
16 granting such approval.

17  
18  
19  
20  
21  
22 

---

<sup>5</sup> Testimony in support of this Joint Application is submitted at Exhibits F, G and H.

1  
2 DATED: August 31, 1999.

3 Respectfully submitted,

4 **QWEST COMMUNICATIONS**  
5 **CORPORATION**  
6 **LCI INTERNATIONAL TELECOM**  
7 **CORP.,**  
8 **USLD COMMUNICATIONS, INC. AND**  
9 **PHOENIX NETWORK, INC.**

**U S WEST COMMUNICATIONS, INC.**

10 I certify under penalty of perjury under the laws  
11 of the State of Washington, to the best of my  
12 information and belief, that the foregoing is true  
13 and correct.

I certify under penalty of perjury under the laws  
of the State of Washington, to the best of my  
information and belief, that the foregoing is true  
and correct.

14 DATED this 31<sup>st</sup> day of August, 1999 at  
15 Denver, Colorado.

DATED this 31<sup>st</sup> day of August, 1999  
at Seattle, Washington.

16 **By:** \_\_\_\_\_  
17 Drake S. Tempest  
18 Executive Vice President and  
19 General Counsel and Secretary  
20 Qwest Communications International Inc.  
21 555 Seventeenth Street  
22 Denver, CO 80202  
Phone: (303) 992-3330  
Fax: (303) 992-1490

**By:** \_\_\_\_\_  
Lisa A. Anderl  
Senior Attorney  
U S WEST, Inc.  
1600 7<sup>th</sup> Ave., Room 3206  
Seattle, WA 98191  
Phone: (206) 345-1574  
Fax: (206) 343-4040